

SUMMARY ANALYSIS OF AMENDED BILL

Author: Strickland Analyst: William Koch Bill Number: AB 2623
 Related Bills: See Prior Analysis Telephone: 845-4372 Amended Date: May 6, 2008
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Service Station Emergency Standby Generator Credit

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended March 25, 2008.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 25, 2008, STILL APPLIES.
- ☐ OTHER – See comments below.

SUMMARY

This bill would allow a tax credit for the purchase and installation of an emergency standby generator.

SUMMARY OF AMENDMENTS

The May 6, 2008, amendments would allow an unlimited carryover period for this credit and clarify the definition of emergency standby generator. The amendments would also make several non-substantive technical changes. As a result of these amendments, the implementation considerations identified in the department's analysis of this bill as amended March 25, 2008, have been resolved. The policy concerns remain and the discussion has been included below for convenience.

Except for the discussion in this analysis, the remainder of the department's analysis of this bill as amended March 25, 2008, still applies.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

5/19/08

THIS BILL

For taxable years beginning on or after January 1, 2009, and before January 1, 2014, this bill would allow a personal and a corporate income tax credit in an amount equal to 5% of the costs paid or incurred for the purchase and installation of an emergency standby generator at a service station located in this state.

This bill provides the following definitions:

- “Emergency standby generator” is an electrical generator that is rated by the manufacturer to generate at least 30 kilowatts of electricity and whose sole function is to automatically provide electric power when electric power from a utility service is interrupted.
- “Service station” is an establishment that offers for sale or sells gasoline or other fuel to power motor vehicles to the public.

This bill specifies that a taxpayer would be required to recapture the allowed amount of the tax credit if the taxpayer subsequently sells or removes the generator from service within one year from the date it was placed in service. The recaptured amount would be added to the tax for the taxable year in which the emergency standby generator is sold or removed from service.

This bill would allow any unused credit to be carried over until exhausted.

This tax credit would be repealed as of December 1, 2014.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

POLICY CONCERNS

This bill would not require a taxpayer to reduce the depreciable basis of the emergency standby generator by the amount of the credit allowed.

Conflicting tax policies come into play whenever a credit is provided for an item that is already deductible as a business expense or is depreciable. Providing both a credit and allowing the full amount to be deducted would have the effect of providing a double benefit for that item. On the other hand, making an adjustment to reduce basis in order to eliminate the double benefit creates a difference between state and federal taxable income, which is contrary to the state's general federal conformity policy.

This bill would allow an unlimited carryover period. Consequently, the department would be required to retain the carryover on tax forms indefinitely. Recent credits have been enacted with a limited carryover period because experience shows credits typically are exhausted within eight years of being earned.

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